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C O N F I D E N T I A L SECTION 01 OF 03 BEIJING 002533

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SUBJECT: THE FOURTH CCP PLENUM: REFORM WITH NO CHANGE

REF: OSC CPP20090901004022

Classified By: Political Minister Counselor Aubrey Carlson.
Reasons 1.4 (b),(d).

Summary

1. (C) On July 23, a Xinhua press release announced that the Fourth Plenum of the 17th Central Committee of the Chinese Communist Party would convene in September. In keeping with established practice, a date for the Plenum was not announced, but the press release noted that the Plenum would address the two themes of "Party-building" and China's response to the global financial crisis. Contacts told us that Vice President (and Party School head) Xi Jinping's September 1 address to the Party School would include important signals previewing the focus of the Plenum and predicted that the Plenum would convene on or around September 16. The content of Xi's speech, which emphasized advancing "inner-Party democracy" while not undermining the traditional Leninist doctrine of "democratic centralism," appeared to be consistent with the conservative Plenum goals described to us by contacts. Interlocutors with access to internal discussions within the Party have told us that the upcoming Fourth Plenum will not institute any significant reforms and will instead focus on consolidating the political positions of Hu Jintao and other Party leaders. Contacts predicted that the "intra-Party democracy" component of the Plenum would include voting on certain personnel decisions, changes to cadre promotion and evaluation criteria, and anti-corruption measures. However, our contacts generally agreed that the reforms are largely symbolic and the Plenum will involve no major ideological or policy changes. Contacts noted that the Plenum's lack of substantive initiatives is due to two reasons. First, Hu Jintao is preoccupied with reinforcing his political position in order to be able to implement legacy initiatives in future years. China's political cycle suggests that this cannot take place until the Fifth or Sixth Plenums. Second, China's relatively stable economic situation has provided no impetus for meaningful reforms, and Party leaders are confident in the fundamentals of existing policies. Most contacts believed that Xi Jinping will be appointed as Vice Chairman of the Central Military Commission (CMC) at the Plenum, thereby solidifying his position to replace Hu Jintao in his three roles as Party General Secretary, President and CMC Chairman in 2012, 2013 and 2014. respectively. End summary.

2. (C) Following the official announcement of the Plenum, PolOffs met with a number of contacts with access to internal Party discussions to discuss current Party priorities. On August 21 China Reform Forum (CRF) Vice Chairman Ding Kuisong predicted that a September 1 Xi Jinping speech opening the fall semester of the Central Party School (CPS) would include important signals regarding the initiatives to be addressed during the upcoming Fourth Plenum. He also predicted that the Plenum would convene on or around September 16.

13. (U) In his September 1 Party School speech, according to China's official news agency Xinhua (ref A), Xi emphasized themes consistent with those noted in the Plenum announcement. He called for unspecified further reforms in "Party-building" in order for the Party to "keep up with the times" and meet the domestic and global challenges of today. Xi said there was a need to continue the fight against corruption, improve the Party's "ability to govern," and advance "inner-Party democracy," but made clear that such reforms should not undermine the traditional Leninist doctrine of "democratic centralism."

14. (SBU) Full Central Committee Plenary sessions, or "Plenums," are held annually during a five-year cycle of National Party Congresses (which choose new leaders and set new policy directions). Plenums generally last 3-5 days and focus on one key issue. In this regard, the upcoming dual-themed Plenum is a departure from past practice. "Fourth Plenums" have traditionally addressed internal Party reforms. Plenums also have the authority to make major personnel decisions. At the conclusion of the Plenum, the Party will issue an official "Communique" describing the proceedings and decisions made by the Plenum, along with official resolutions adopted by the body. The Fourth Plenum of the 16th Central Committee, held September 16-19, 2004, adopted an official "Decision" calling for internal party governance reforms and "inner-Party democracy." It also removed former Party chief Jiang Zemin as Chairman of the

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Central Military Commission (CMC) and appointed Party General Secretary Hu Jintao in his stead.

Party Building Means Political Consolidation -----

15. (C) Our contacts all agreed that, consistent with Xi's speech, "Party-building" would be the central theme of this year's Plenum, while the parallel theme of responding to the global financial crisis, would receive less emphasis. They noted that Party-building, and the Fourth Plenum in general, would focus on consolidating the political positions of Party leaders, particularly Hu Jintao. Although the Plenum would also address the financial crisis, this economic component would reinforce the political goals of the Plenum by underscoring that current policies were sound and had succeeded in forestalling serious economic consequences for China during the financial crisis. Zhang Xiantang, senior editor at the State Council Development Research Center newspaper Zhongguo Jingji Shibao, told PolOff August 28 that, although the Plenum's Party-building theme would incorporate "intra-Party democracy" initiatives, the reforms would be devoid of substance and largely symbolic. He noted that, given China's strong international position, Hu Jintao and other Party leaders were "supremely confident" and faced no imperative for substantive changes to Party ideology. With the international community appealing to China for assistance in addressing the global financial crisis, why, Zhang asked rhetorically, would Hu Jintao launch further reforms? Zhang interpreted Hu Jintao's earlier exhortation to refrain from "distractions" (bu zheteng), during his December 2008 address on the thirtieth anniversary of the reform and opening policy, as an additional signal that there would be no significant changes to Party policy at this year's Plenum.

16. (C) Deputy Director of the Center for Comparative Politics and Economics of the CCP Central Translation Bureau, Lai Hairong, told us on September 1 that the underlying purpose of the Plenum would be the consolidation of political power by Party leaders. Lai said that, according to the established CCP "reform cycle," this year's Fourth Plenum was not likely to be a venue for significant changes in ideology

or policy. Citing the example of Hu's first term as Party chief, Lai said it was not until after the Fourth Plenum of the 16th Central Committee in 2004, when former CCP General Secretary Jiang Zemin stepped down as Chairman of the Central Military Commission, that Hu was sufficiently secure in his political position to be able to address concrete reforms such as codifying human rights and private property in the state constitution. In the same way, this year's Fourth Plenum represented a transition point in China's political reform cycle, and Hu Jintao would be unable to begin advancing substantive legacy reforms until the Fifth or Sixth Plenums in 2010 and 2011, respectively. Echoing Zhang's comments, Lai noted that the current international economic and political situation presented no incentives for substantive reform within the Party. Noting that Russian academic colleagues had pointed out that the pace of reform in Russia was directly related to the price of oil, with economic prosperity tending to stifle reform initiatives, Lai drew a parallel to the current situation in China with relative economic prosperity allowing the Party to maintain the status quo.

Economic Component

17. (C) The CRF's Ding said that the economic component of the Plenum would play a similar role in reinforcing the Party's mandate by shoring up the authority of the reform and opening policies. Some Party members were expressing dissatisfaction with current economic trends in Chinese society, Ding said, such as growing economic disparities and corruption. These voices were suggesting the need to "equalize society" through a reexamination of current economic policies. In response, Hu Jintao would use the Plenum to reiterate that there would be no substantive changes in Party ideology, Ding said, but would institute limited reform initiatives as a gesture to these constituencies. Lai Hairong told us that, despite the global economic crisis, Party leaders saw no need for significant economic reforms. He predicted that the economic component of the Plenum would not involve any major policy or reform initiative. Zhang Xiantang predicted that the economic initiatives at the Plenum would be cautious and would focus on maintaining the political conditions necessary to maintain economic growth and continue to increase living standards.

Intra-Party "Elections"

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18. (C) A number of contacts noted that "internal democratic reforms" in the Party would involve formalizing some sort of intra-Party "elections." However, most discounted the significance of the initiative and noted that it would be limited in scope and level. On August 31, Kang Shaobang, of the Central Party School's Institute for International Strategic Studies, predicted that Party-building initiatives tabled during the Plenum would institutionalize voting on certain Party personnel decisions. Lai Hairong also noted that "democratic reforms" would probably include some form of intra-Party "elections." However, these reforms would be limited in scope and would not go beyond the county-level, Lai said. Ding predicted that the Party-building elements of the Plenum would include an institutionalization of recent cadre training directives, specifically the practice of ideological training for county-level cadres in Beijing.

Corruption

19. (C) Several interlocutors noted that the Plenum would also focus on corruption but would not institute any significant supervision or disciplinary measures. Deng Yuwen (protect), senior editor at Xuexi Shibao, official paper of the Central Party School, told Poloff August 15 that the question of

whether to extend experimental initiatives mandating financial disclosure reports by cadres in various parts of the country to the entire Party had caught the attention of a broad audience and was being widely discussed. However, "eighty-five percent of the cadre force" was resolutely opposed to this reform and had strongly resisted it, Deng said, adding that it was far too sensitive to be discussed at the Plenum. Lai Hairong said that corruption would be discussed under the overall Party-building agenda but substantive anti-corruption measures, such as financial disclosure reports, would not be on the table. Zhang Xiantang agreed said that financial disclosure reports for cadres had been raised but had already been decisively rejected. He predicted that Plenum anti-corruption gestures would not include any substantive reforms.

Plenum Personnel Issues: Xi Jinping and the CMC

¶10. (C) Kang Shaobang told PolOff that he was relatively certain that Xi Jinping would be appointed Vice Chairman of the Central Military Commission at the Plenum. Most cadres expected this appointment as a signal of the expected transition of political power, with Xi in train to replace Hu Jintao as Party General Secretary at the 2012 Party Congress. If Xi were not appointed to the CMC, this would create "great uncertainty" within the Party, Kang said. Zhang Xiantang separately agreed that Xi Jinping's CMC appointment was already decided. Lai declined to make a prediction on Xi's elevation but said that he was "not saying it won't happen." Zhang claimed that Central Committee General Office Director Ling Jihua would be appointed to the Politburo as an alternate member during the Plenum. Zhang also claimed that the position of Xinjiang Party Secretary Wang Lequan would be discussed internally during the Plenum. He believed that Wang would remain in place for the short term but that the Party would find a face-saving way to reassign Wang soon.

HUNTSMAN